

Message Text

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SS-20 STR-08 TAR-02 TRSE-00 USIA-15 PRS-01 SP-03

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R 292212Z APR 74

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 3565

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DEPARTMENT PASS ALL OTHER LATIN AMERICAN POSTS

E.O. 11652: N/A

TAGS: ETRO CBR

SUBJ: SUMMARY REPORT OF AMBASSADOR EBERLE'S VISIT TO BRAZIL

1. FOLLOWING IS SUMMARY OF RESULTS OF APRIL 24 VISIT TO BRAZIL BY AMBASSADOR EBERLE AND HIS DELEGATION DRAFTED BY AMEMBASSY BRAZIL AND CLEARED BY DELEGATION. SUMMARY: AMBASSADOR EBERLE AND PARTY HAD CORDIAL AND USEFUL EXCHANGE OF VIEWS WITH SENIOR MINISTERS OF GOB AND OTHER OFFICIALS. MAJOR ISSUES IN DISCUSSIONS WITH MINISTERS WAS USG COUNTERVAILING DUTY ACTION ON SHOES. FINMIN SIMONSEN GAVE ASSURANCES THAT GOB WOULD PRESENT COMPLETE DATA ON EXPORT INCENTIVES PRIOR TO JUNE 8 DEADLINE AND INDICATED THAT ENTIRE STRUCTURE OF THESE INCENTIVES WAS BEING EXAMINED FOR PURPOSE OF MAKING IT FULLY CONSISTENT WITH GATT. CURRENT STATUS OF TRADE LEGISLATION AND U.S. POSITION ON MAJOR ISSUES IN MTN WERE EXPLAINED IN DETAIL. GOB REAFFIRMED ITS DESIRE FOR CONTINUED CLOSE CONSULTATIONS WITH THE

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U.S. THEY ALSO INDICATED INTEREST IN SPONSORING

RESOLUTION IN GATT TO SEEK AGREEMENT ON RULES TO GOVERN CONTROL OF SENSITIVE IMPORTS. FONMIN SILVEIRA EXPRESSED HIS DISAPPOINTMENT WITH ACTIONS BY U.S. THAT HAVE EFFECT OF LIMITING GOB EXPORTS. DELEGATION LATER HELD TECHNICAL MEETING WITH MEMBERS OF GOB INTER-MINISTERIAL GROUP ON TRADE NEGOTIATIONS. FRAMEWORK FOR MEETING WAS SERIES OF PRESENTATIONS BY AMBASSADOR EBERLE AND MEMBERS OF PARTY ON TRADE LEGISLATION (TRA), GENERAL SYSTEM OF PREFERENCES (GSP), AND MULTILATERAL TRADE NEGOTIATIONS (MTN). GOB WILL PROVIDE PRODUCT LIST FOR GSP AND BOTH SIDES AGREED TO CONSULT AND EXCHANGE INFORMATION ON EXPORT SUBSIDIES. U.S. WILL INFORM GOB IF PROBLEMS ARISE ON GSP PRODUCTS. EBERLE NOTED COMMITMENT BY FINANCE MINISTER TO PROVIDE DATA FOR COUNTERVAILING INVESTIGATION ON SHOES. END SUMMARY.

2. AT WORKING LUNCH WHICH MIN OF IND AND COMMERCE GOMES ATTENDED, FONMIN SILVEIRA, THE HOST, MADE BRIEF STATEMENT WHICH CONTAINED THE FOLLOWING MAJOR POINTS: HE EXPRESSED HIS PLEASURE WITH THE PERSONAL CONTACTS HE HAD HAD WITH THE SECRETARY AND THE OPPORTUNITY IT HAD AFFORDED FOR A USEFUL EXCHANGE OF VIEWS; THE HARMONIZATION OF POLICIES BETWEEN THE U.S. AND BRAZIL WILL NOT BE AUTOMATIC BUT SHOULD BE A NATURAL PROCESS OF RECONCILING NATIONAL POSITIONS AND INTERESTS; EBERLE VISIT IS WELCOME AS AN EFFORT TOWARD SUCH HARMONIZATION AND FULFILMENT OF THE U.S. COMMITMENT FOR A NEW DIALOGUE; THE PRESENT STRUCTURE OF TRADE AND PAYMENTS MUST BE REFORMED; THE TOKYO DECLARATION ON TRADE ACCEPTS THE NECESSITY FOR DIFFERENTIALTED AND MORE FAVORABLE TREATMENT FOR THE LDC'S; HE RECEIVED WITH PLEASURE THE SECRETARY'S RECENT STATEMENTS ON U.S. TRADE POLICY; GOB MUST RESOLVE ITS DIFFERENCES WITH THE U.S. BEFORE WE CAN REACH HARMONIZED POSITIONS.

3. AMB. EBERLE STATED THAT HIS VISIT DID IN FACT REPRESENT A STEP TOWARDS A NEW RELATIONSHIP AND A NEW DIALOGUE, WHICH WILL HELP US MAKE CONCRETE PROGRESS. THERE WILL BE AREAS OF DISAGREEMENT AS WELL AS AGREELIMITED OFFICIAL USE

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MENT. THE U.S. DESIRES TO NEGOTIATE DISAGREEMENTS DOWN TO A MINIMUM. WE WISH TO SEE A MORE EFFICIENT INTERNATIONAL ECONOMIC SYSTEM IN WHICH THERE WILL BE MORE AID AND INVESTMENT. THERE ARE DIFFERENCES BETWEEN DEVELOPED AND LESS-DEVELOPED WORLDS, BUT WE SHOULD WORK TO MINIMIZE THESE DIFFERENCES AND SEEK AGREEMENTS ON SOLUTIONS.

4. IN GENERAL DISCUSSION BETWEEN AMB. EBERLE AND MINISTERS SILVEIRA AND GOMES, GOB CONCERN ABOUT COUNTERVAILING DUTY ACTION ON SHOES WAS REGISTERED. DISCUSSION ON SHOES WAS CONTINUED IN LATER MEETING WITH FINMIN SIMONSEN AND FONMIN SILVEIRA AS WELL AS OTHER SENIOR GOB OFFICIALS.

5. AMB. EBERLE EMPHASIZED FOLLOWING POINTS IN HIS COMMENTS ON SHOES; THIS ITEM IS PARTICULARLY SENSITIVE; IT IS MANDATORY THAT GOB PRESENT ITS FULL CASE, GOVERNMENT AS WELL AS PRIVATE, BEFORE DEADLINE OF JUNE 8; WE HAVE A PROBLEM IN CONGRESS CONCERNING ADMINISTRATION'S CREDIBILITY ON APPLICATION OF OUR COUNTERVAILING DUTY LAW; WITH THE TRADE LEGISLATION WE ARE ASKING FOR A 4-YEAR AUTHORITY WHICH WOULD ENABLE ADMINISTRATION TO SUSPEND ACTION ON COUNTERVAILING DUTY CASES UNDER CERTAIN CIRCUMSTANCES; FOR NOW WE MUST CONTINUE TO ACT ON COMPLAINTS THAT ARE FILED; EXECUTIVE BRANCH HOPES TO KEEP ISSUE OUT OF THE COURTS; IF LAWSUITS ARE INITIATED, THERE IS POSSIBILITY THAT WE MAY LOSE; TO RESOLVE PROBLEM IN THE LONG TERM WE WISH TO SEEK AGREEMENT ON AN INTERNATIONAL CODE.

6. MIN SIMONSEN PROVIDED FOLLOWING DETAILS ON GOB POSITION. BRAZIL INTENDS TO COMPLY WITH JUNE 8 DEADLINE, WOULD BE PREPARED TO SEND TEAM AGAIN, AND WISHES TO CONTINUE DIRECT CONTACTS ON QUESTION OF THE GENERAL TAX INCENTIVE SYSTEM, GOB EMPLOYS A WIDE VARIETY OF TECHNIQUES, SOME OF WHICH MAY BE COMPARABLE TO THE U.S.

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DISC LEGISLATION. GOB ASSUMES THAT IF ITS SYSTEM IS GATT COMPATABLE, THERE WOULD BE NO DIFFICULTY WITH U.S. MOST COUNTRIES, FOR EXAMPLE, REBATE VALUE ADDED TAXES. GOB IS EXAMINING ITS SYSTEM IN DETAIL AND IS PREPARED TO MAKE ADJUSTMENTS TO ACHIEVE COMPATIBILITY WITH GATT, BUT THIS WILL TAKE TIME. THE TWO MINISTERS AGREED WITH AMB. EBERLE THAT IT WOULD BE DESIRABLE FOR BOTH COUNTRIES TO TRY TO GET GATT TO ADDRESS THE NEED FOR INTERNATIONAL AGREEMENT ON RULES TO GOVERN EXPORT INCENTIVES AND IMPORT CONTROLS. IN THIS CONTEXT, BOTH SIDES STATED THAT THIS CONVERGENCE OF VIEWS SHOULD BE MADE KNOWN PUBLICLY. GOB ALSO AGREED TO SUBMIT RESOLUTION ON THIS SUBJECT IN GATT POSSIBLY AT NEXT TNC MEETING.

7. U.S. SIDE NOTED THAT EXECUTIVE IS PREPARED TO FOLLOW GATT RULES WITH REFERENCE TO INCENTIVES, BUT THAT IN CONGRESS THERE IS STRONG FEELING THAT THE SYSTEM DISCRIMINATES AGAINST U.S. AND THAT ALL TAX REBATES, INCLUDING THOSE OF INDIRECT TAXES, WARRANT COUNTER-VAILING DUTY ACTION.

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8. THE U.S. SIDE STRESSED IMPORTANCE OF GOB MONITORING ITS EXPORTS TO SEEK TO PREVENT PROBLEMS SUCH AS SHOES DEVELOPING, FOR EXAMOLE, BY DIVERSIFYING EXPORTS AND SENSITIVE PRODUCTS. EXCHANGE CONTINUED IN CONTEXT OF U.S. GSP COMPETITIVE NEED FORMULA. OUR GSP WAS DESCRIBED AS MUCH MORE LIBERAL THAN OTHER SCHEMES IN EFFECT, AND THAT \$25 MILLION ENABLES FOOTHOLD ON WHICH COMPETITION WITH OTHERS ON EQUAL BASIS SHOULD BE POSSIBLE. THE U.S. SIDE ALSO NOTED THE DESIRABILITY OF SPREADING BENEFITS, PARTICULARLY TO THE SMALLER AND LESSER DEVELOPED COUNTRIES, INASMUCH AS A GSP WITHOUT THIS FEATURE WOULD PROBABLY BENEFIT ONLY MEXICO AND BRAZIL AMONG THE LATIN AMERICANS.

9. IN SOMEWHAT EMOTIONAL REACTION TO THIS PHASE OF THE DISCUSSION, FONMIN SILVEIRA EXPRESSED HIS STRONG OBJECTION TO U.S. APPROACH. HE STATED THAT OUR CONCERN FOR SMALLER, LESS-DEVELOPED COUNTRIES WAS POLITICALLY

UN SOUND AND THAT WE SHOULD NOT BE GIVING A FEW BENEFITS TO A LARGE NUMBER OF COUNTRIES. HE THEN ASKED IF WE WERE SEEKING TO LIMIT BRAZIL'S EXPORTS, THAT \$25 MILLION LIMIT IS A LOW CEILING WHICH HARDLY WARRANTS AN INTENSIVE EXPORT DRIVE; THIS TYPE OF APPROACH DOES NOT SEEM TO FULFILL SEC. KISSINGER'S COMMITMENTS IN THE TRADE AREA. (IT SHOULD BE NOTED THAT FINMIN SIMONSEN MADE AN EFFORT TO ASSURE SILVEIRA THAT OUR APPROACH WAS VALID.) IN RESPONSE WE REITERATED THAT OUR SCHEME IS BETTER THAN OTHERS, THAT ITEMS TO BE EXCLUDED ARE SMALLER IN NUMBER, THAT THE PREFERENCES CAN PROVIDE A FOOTHOLD IN THE MARKET WHICH SHOULD ENABLE A PRODUCT TO COMPETE UNDER MOST-FAVORED-NATION RATES, WHICH WOULD ALSO BE LOWER AS A RESULT OF THE MTN. SUBSEQUENTLY, THE U.S. SIDE POINTED OUT THAT IN 1972 NO SINGLE BRAZILIAN PRODUCT EXPORTED TO U.S. THAT WOULD QUALIFY UNDER OUR GSP EXCEEDED \$25 MILLION, THIS OUT OF TOTAL EXPORTS TO THE U.S. OF \$900 MILLION. SILVERIA SEEMED TO BE IMPRESSED.

10. ON QUESTION OF ACCESS TO COMMODITIES IN SHORT SUPPLY, AMB. EBERLE STATED THAT WE SHOULD WORK OUT GENERAL RULES TO GOVERN ACTIONS WHICH CAN BE TAKEN LIMITED OFFICIAL USE

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WHEN SHORTAGES APPEAR. BRAZIL HAS A MAJOR STAKE IN THIS PROBLEM BECAUSE OF ITS INTERESTS IN AGRICULTURAL COMMODITIES.

11. MIN. SILVEIRA STATED THE DIFFICULTIES IN HARMONIZING POLICIES ON A WORLD-WIDE BASIS. SILVEIRA ALSO REACTED SOMEWHAT SHARPLY ON THE ACCESS QUESTION, COMMENTING THAT U.S. WAS SEEKING TO GUARANTEE ITS ACCESS TO RAW MATERIALS WHILE RESTRICTING LDC MANUFACTURES ACCESS TO U.S. MARKET. POINT WAS ALSO MADE THAT PROBLEM WAS PROVOKED BY COUNTRIES AND PRODUCTS THAT HAVE NO ACCESS PROBLEMS. AMB. EBERLE RESPONDED THAT WE ARE OPEN-MINDED IN HANDLING THIS ISSUE, THAT WE ARE TRYING TO CREATE FLEXIBLE RULES THAT WILL ESTABLISH A GENERALLY ACCEPTABLE SYSTEM.

12. IN RESPONSE TO QUESTION AS TO WHEN TRADE LEGISLATION MIGHT BE PASSED, AMB. EBERLE NOTED THAT A NUMBER OF ISSUES HAVE TO BE FOUGHT
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WAS SOLE SPOKESMAN FOR GOB GROUP WHICH ALSO INCLUDED REPS FROM MINISTRIES OF FINANCE, INDUSTRY AND COMMERCE AND PLANNING, CENTRAL BANK, BANK OF BRAZIL, AND CUSTOMS POLICY COUNCIL. BATISTA ASKED ABOUT JACKSON AMENDMENT AND SUPPORT FOR MANDATORY QUOTAS. EBERLE SAID MFN ISSUE STILL UNCERTAIN AND THAT ADMINISTRATION OPPOSES QUOTAS BUT SENATE VOTE COULD WELL ADOPT SOME AMENDMENTS. BATISTA ASKED HOW BRAZIL COULD BE HELPFUL RE TRADE BILL. EBERLE RESPONDED THAT GOB SHOULD RECOGNIZE COUNTER-VAILING PROBLEM AND GIVE ATTENTION TO NEED FOR PRUDENCE REGARDING RAPID EXPORT INCREASES.

17. DISCUSSION MOVED TO QUESTION OF EXPORT SUBSIDIES. BATISTA SAID GOB WAS INTERESTED IN STARTING SOME INITIATIVE RE SUBSIDIES IN GENEVA AND HOPED U.S. WOULD INDICATE WILLINGNESS TO BEGIN NEGOTIATIONS. U.S. SIDE INDICATED SUCH WILLINGNESS AS LONG AS SIBSIDIES AND COUNTERVAILING DUTIES WERE TAKEN UP TOGETHER. BATISTA ASKED IF THIS MEANT IN ONE GROUP OR AT SAME TIME IN DIFFERENT GROUPS. U.S. STRESSED THAT BOTH ITEMS WERE LINKED AND DISCUSSIONS WOULD HAVE TO BE SIMULTANEOUS.

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BATISTA SUGGESTED CLOSE COORDINATION BETWEEN THE U.S. AND BRAZIL ON SUBSIDIES. EBERLE SAID WE WOULD SEND FORMAT OF USG APPROACH AND BATISTA RESPONDED THAT GOB WOULD FURNISH ITS IDEAS ON SUBJECT.

18. GSP - RENNER REVIEWED PROCEDURE FOR SUBMISSION TO TARIFF COMMISSION OF PRODUCTS FOR INCLUSION IN GSP AND GSP PROVISIONS ON RULES OF ORIGIN AND COMPETITIVE

NEED. HE ASKED GOB TO SUBMIT UPDATED LIST OF PRODUCTS OF INTEREST UNDER GSP, WITH INDICATIONS OF PRIORITIES. BATISTA INDICATED GOB WOULD DO SO AND ASKED IF, AFTER RECEIVING LIST,USG WOULD CONSULT WITH BRAZIL BEFORE

SUBMISSION TO TARIFF COMMISSION. AMB. EBERLE REPLIED THAT WE WOULD COME BACK TO GOB IF THERE WAS A PROBLEM REGARDING A CERTAIN PRODUCT OF INTEREST TO BRAZIL.

19. MTN - ON TARIFF NEGOTIATIONS, FOX NOTED VARYING OBJECTIVES: HIGH OPTION OF MAXIMUM ALLOWABLE CUTS FAVORED BY SOME COUNTRIES, INCLUDING U.S., AND HARMONIZATION FAVORED BY OTHERS.

BATISTA SAID TARIFFS ARE NOT MAJOR BARRIER TO BRAZIL BUT NEVERTHELESS ARE AN IMPORTANT PART OF MTN. HE SAID BRAZIL AS AN LDC WAS ENTITLED TO PREFERENTIAL REDACTIONS AND PROTECTION OF MARGINS UNDER PREFERENCE SCHEMES. HE SAID GOB OBJECTIVES ON TARIFFS WERE: 1) LDCS WERE ENTITLED TO SPECIAL TREATMENT, PARTICULARLY ON PRODUCTS FOR WHICH THEY ARE MAJOR SUPPLIERS; 2) NEED FOR DEEPER CUTS FOR PRODUCTS OF INTEREST TO LDCS THAT WERE EXCLUDED FROM KENNEDY ROUND CUTS, AND 3) TARIFF ESCALATION - REDUCE TARIFF DIFFERENCES BETWEEN RAW MATERIALS AND FINISHED PRODUCTS BY LOWERING TARIFFS ON FINISHED GOODS. BATISTA NOTED THAT LDCS WANT TO IMPROVE GSP SCHEMES AND COMMENTED THAT GOOD RESULTS ON MFN NEGOTIATIONS, SUCH AS ON TEXTILES, WOULD INFLUENCE LDC REQUIREMENT FOR GSP IMPROVEMENTS. BATISTA AGREED WITH U.S. SIDE THAT MTN RESULTS WOULD HAVE TO BE JUDGED ON OVERALL BASIS RATHER THAN BY SECTORAL APPROACH. HE SAID GOB AGREES WITH NEED FOR SOME RECIPROCITY ON NON-TARIFF ITEMS BUT ON LIMITED OFFICIAL USE
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TARIFFS GOB FULLY SUPPORTS GENERAL L.A. POSITION AGAINST RECIPROCITY.

20. NTB'S - ON QR-S BATISTA SUGGESTED AS POSSIBLE FORMULA THE ELIMINATION OF QR ON ALL PRODUCTS OF PARTICULAR INTEREST TO LDCS WITH A NEGOTIATED EXCEPTIONS LIST THAT COULD EVENTUALLY BE PHASED OUT. ON SUBSIDIES AND COUNTERVAILING DUTIES LDCS SHOULD BE EXEMPT OR ALLOWED SPECIAL TREATMENT. ON SAFEGUARDS, ART XIX:1 SHOULD BE REPLACED BY A NEW GATT SAFEGUARD CLAUSE MORE FAVORABLE TO LDCS. RENNER DOUBTED THE WISDOM OF TRYING TO RE-NEGOTIATE ARTICLE XIX. HE SAID IT WOULD BE BETTER TO BUILD ON IT AND CREATE NEW OPTIONS.

21. TROPICAL PRODUCTS - BATISTA ACKNOWLEDGED COOPERATION FROM THE U.S. IN THIS COMMITTEE. HE SAID THAT

GOB FAVORS NOT TRYING TO CLOSE THE PRODUCT LIST BUT TO BEGIN WORK SOON ON THE BASIS OF PRIORITY PRODUCTS.

22. AGRICULTURE - BATISTA NOTED THAT IN ADDITION TO PRODUCT LIST, THERE WAS ALSO NEED TO AGREE ON LIST OF BARRIERS. HE ASKED WHAT U.S. WOULD GIVE TO EUROPEANS FOR REDUCTION OF BARRIERS IN AGRICULTURE. U.S. SIDE RESPONDED THAT RECIPROCITY WOULD BE IN OVER-ALL NEGOTIATIONS.

23. ON SUPPLY, BATISTA SAID FOR LDCS, THE OIL CRISIS MADE MTN MORE DIFFICULT BUT ALL THE MORE NECESSARY. HE ASKED FOR U.S. POSITION ON SUPPLY ARRANGEMENTS. U.S. SIDE RESPONDED THAT WE WOULD CONSIDER PROPOSALS AS LONG AS CONSUMERS ARE INCLUDED.

24. IN CLOSING MEETING AMB. EBERLE ENCOURAGED FURTHER CLOSE AND FRANK CONSULTATIONS AND ENCOURAGED GOB OFFICIALS TO SEEK WAYS TO REDUCE MAJOR DIFFERENCES AS FAR AS POSSIBLE. HE SAID MEETING EARLIER IN DAY WITH MINISTERS OF FINANCE AND FOREIGN AFFAIRS HAD PRODUCED PROGRDSS ON PROBLEM OF COUNTERVAILING ACTION ON SHOES AND THAT MINISTERS HAD AGREED TO TAKE INITIATIVE TO PROVIDE NECESSARY INFORMATION BY JUNE 8 DEADLINE AND TO SEND TEAM TO WASHINGTON FOR FURTHER TALKS. HE
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ENDED BY SAYING USG WOULD SEND ITS UNDERSTANDING OF OUTCOME OF PRESENT MEETING AND MEETING WITH MINISTERS TO GOB.

25. BATISTA RESPONDED BY NOTING AGREEMENTS TO PROVIDE INFORMATION ON GSP PRODUCTS OF INTEREST AND TO CONSULT AND EXCHANGE INFORMATION ON SUBSIDIES. HE CONCLUDED BY SAYING THAT THE FUNDAMENTAL AGREEMENT BETWEEN U.S. AND BRAZIL AT THIS STAGE WAS THAT THE TRADE NEGOTIATIONS MUST SUCCEED.
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Message Attributes

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